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REFERENCE TITLE: residential property tax; valuation limitation

State of Arizona
Senate
Forty-sixth Legislature
Second Regular Session
2004

SCR 1042

Introduced by
Senators Weiers: Martin

A CONCURRENT RESOLUTION

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF ARIZONA; AMENDING ARTICLE IX, SECTION 18, CONSTITUTION OF ARIZONA; RELATING TO RESIDENTIAL PROPERTY TAX VALUATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it resolved by the Senate of the State of Arizona, the House of Representatives concurring:

1. Article IX, section 18, Constitution of Arizona, is proposed to be amended as follows if approved by the voters and on proclamation of the Governor:

18. Residential ad valorem tax limits; limit on increase in values; definitions

Section 18. (1) The maximum amount of ad valorem taxes that may be collected from residential property in any tax year shall not exceed one per cent of the property's full cash value as limited by this section.

(2) The limitation provided in subsection (1) does not apply to:

(a) Ad valorem taxes or special assessments levied to pay the principal of and interest and redemption charges on bonded indebtedness or other lawful long-term obligations issued or incurred for a specific purpose.

(b) Ad valorem taxes or assessments levied by or for property improvement assessment districts, improvement districts and other special purpose districts other than counties, cities, towns, school districts and community college districts.

(c) Ad valorem taxes levied pursuant to an election to exceed a budget, expenditure or tax limitation.

(3) Except as otherwise provided by subsections (5), (6), ~~and (7) AND (8) of this section~~ THE ANNUAL PERCENTAGE INCREASE, IF ANY, IN THE VALUE OF REAL PROPERTY AND IMPROVEMENTS SHALL NOT EXCEED THREE PER CENT AND the value of real property and improvements and the value of mobile homes used for all ad valorem taxes except those specified in subsection (2) shall be the lesser of the full cash value of the property or an amount ten per cent greater than the value of property determined pursuant to this subsection for the prior year or an amount equal to the value of property determined pursuant to this subsection for the prior year plus one-fourth of the difference between such value and the full cash value of the property for THE current tax year, whichever is greater.

(4) The legislature shall by law provide a method of determining the value, subject to the provisions of subsection (3), of new property.

(5) The limitation on increases in the value of property prescribed in subsection (3) does not apply to equalization orders that the legislature specifically exempts by law from such limitation.

1 (6) Subsection (3) does not apply to:
2 (a) Property used in the business of patented or
3 unpatented producing mines and the mills and the smelters
4 operated in connection with the mines.
5 (b) Producing oil, gas and geothermal interests.
6 (c) Real property, improvements thereto and personal
7 property used thereon used in the operation of telephone,
8 telegraph, gas, water and electric utility companies.
9 (d) Aircraft that is regularly scheduled and operated by
10 an airline company for the primary purpose of carrying persons
11 or property for hire in interstate, intrastate or international
12 transportation.
13 (e) Standing timber.
14 (f) Property used in the operation of pipelines.
15 (g) Personal property regardless of use except mobile
16 homes.
17 (7) A resident of this state who is sixty-five years of
18 age or older may apply to the county assessor for a property
19 valuation protection option on the person's primary residence,
20 including not more than ten acres of undeveloped appurtenant
21 land. To be eligible for the property valuation protection
22 option, the resident shall make application and furnish
23 documentation required by the assessor on or before September 1.
24 If the resident fails to file the application on or before
25 September 1, the assessor shall process the application for the
26 subsequent year. If the resident files an application with the
27 assessor on or before September 1, the assessor shall notify the
28 resident whether the application is accepted or denied on or
29 before December 1. The resident may apply for a property
30 valuation protection option after residing in the primary
31 residence for two years. If one person owns the property, the
32 person's total income from all sources including nontaxable
33 income shall not exceed four hundred per cent of the
34 supplemental security income benefit rate established by section
35 1611(b)(1) of the social security act. If the property is owned
36 by two or more persons, including a husband and wife, at least
37 one of the owners must be sixty-five years of age or older and
38 the owners' combined total income from all sources including
39 nontaxable income shall not exceed five hundred per cent of the
40 supplemental security income benefit rate established by section
41 1611(b)(1) of the social security act. The assessor shall
42 review the owner's income qualifications on a triennial basis
43 and shall use the owner's average total income during the
44 previous three years for the review. If the county assessor
45 approves a property valuation protection option, the value of

1 the primary residence shall remain fixed at the full cash value
 2 in effect during the year the property valuation protection
 3 option is filed and as long as the owner remains eligible. To
 4 remain eligible, the county assessor shall require a qualifying
 5 resident to reapply for the property valuation protection option
 6 every three years and shall send a notice of reapplication to
 7 qualifying residents six months before the three year
 8 reapplication requirement. If title to the property is conveyed
 9 to any person who does not qualify for the property valuation
 10 protection option, the property valuation protection option
 11 terminates, and the property shall revert to its current full
 12 cash value.

13 (8) THE VALUE OF A PRIMARY RESIDENCE AND IMPROVEMENTS
 14 USED FOR ALL AD VALOREM TAXES IS THE FULL CASH VALUE THAT WAS
 15 DETERMINED FOR TAX YEAR 2000 OR THE VALUE DETERMINED FOR THE
 16 MOST RECENT OF THE FOLLOWING ACTIONS:

17 (a) IF THE PROPERTY IS PURCHASED IN AN ARM'S LENGTH
 18 TRANSACTION AFTER TAX YEAR 2004, THE PURCHASE PRICE AS ATTESTED
 19 TO BY THE PURCHASER AND THE SELLER SHALL BE USED TO DETERMINE
 20 THE FULL CASH VALUE AS PRESCRIBED BY LAW.

21 (b) IF THERE IS A CHANGE IN OWNERSHIP AFTER TAX YEAR 2004
 22 OTHER THAN BY AN ARM'S LENGTH TRANSACTION, THE APPRAISED VALUE
 23 OF THE PROPERTY SHALL BE USED TO DETERMINE THE FULL CASH VALUE
 24 AS PRESCRIBED BY LAW.

25 (c) IF SUBSTANTIVE IMPROVEMENTS ARE MADE ON THE PROPERTY
 26 AFTER TAX YEAR 2004, THE APPRAISED VALUE OF THE PROPERTY SHALL
 27 BE USED TO DETERMINE THE FULL CASH VALUE. FOR THE PURPOSES OF
 28 THIS PARAGRAPH, "SUBSTANTIVE IMPROVEMENTS" MEANS IMPROVEMENTS TO
 29 THE PROPERTY THAT EQUAL OR EXCEED TWENTY PER CENT OF THE CURRENT
 30 FULL CASH VALUE.

31 ~~(8)~~ (9) The legislature shall provide by law a system of
 32 property taxation consistent with the provisions of this
 33 section.

34 ~~(9)~~ (10) For THE purposes of this section:

35 (a) "ARM'S LENGTH TRANSACTION" MEANS A CONVEYANCE OF
 36 TITLE TO PROPERTY IN WHICH UNRELATED PARTIES ACT IN THEIR OWN
 37 SELF INTERESTS.

38 ~~(a)~~ (b) "Owner" means the owner of record of the
 39 property and includes a person who owns the majority beneficial
 40 interest of a living trust.

1 ~~(b)~~ (c) "Primary residence" means all owner occupied
2 real property and improvements to that real property in this
3 state that is a single family home, condominium, townhouse or an
4 owner occupied mobile home and that is used for residential
5 purposes.
6 2. The Secretary of State shall submit this proposition to the voters
7 at the next general election as provided by article XXI, Constitution of
8 Arizona.